

## Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Roscommon Township	County Roscommon
Fiscal Year End March 31, 2007	Opinion Date August 2, 2007	Date Audit Report Submitted to State September 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Zip 49601			
Authorizing CPA Signature 	Printed Name Michael D. Cool, C.P.A.		License Number 1101023146

**ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY**

**HOUGHTON LAKE, MICHIGAN**

**MARCH 31, 2007**

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

MARCH 31, 2007

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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June 18, 2007

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Roscommon Township  
Roscommon County  
Houghton Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roscommon Township, Roscommon County, Houghton Lake, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roscommon Township, Roscommon County, Houghton Lake, Michigan, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through xi and budgetary comparison information on page 29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roscommon Township, Roscommon County, Houghton Lake, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

## ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED MARCH 31, 2007

Roscommon Township, a general law township located in Roscommon County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Roscommon Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2007, along with specific comparative information as required.

#### **Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$10,041,445. Of this amount, \$4,210,313 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,535,701 an increase of \$10,651 in comparison with the prior year. About 41.75% is available for spending at the Township's discretion.
- ◆ The Township's total debt decreased by \$126,101 during the fiscal year.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

Both of the government-wide financial statements distinguish functions of the Townships that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$10,041,445 at March 31, 2007, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

*Roscommon Township*  
*Net Assets as of March 31,*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Assets</b>						
Current Assets	\$ 1,542,007	\$ 1,457,000	\$ 3,613,693	\$ 3,299,000	\$ 5,155,700	\$ 4,756,000
Non Current Assets						
Other Assets	0	0	93,910	0	93,910	0
Capital Assets	3,033,731	2,924,775	4,505,919	4,653,337	7,539,650	7,578,112
Less: Accumulated Depreciation	(737,438)	(661,775)	(1,629,310)	(1,568,337)	(2,366,748)	(2,230,112)
Total Non Current Assets	2,296,293	2,263,000	2,970,519	3,085,000	5,266,812	5,348,000
<b>Total Assets</b>	<b>\$ 3,838,300</b>	<b>\$ 3,720,000</b>	<b>\$ 6,584,212</b>	<b>\$ 6,384,000</b>	<b>\$ 10,422,512</b>	<b>\$ 10,104,000</b>
<b>Liabilities</b>						
Current Liabilities	\$ 84,562	\$ 9,000	\$ 0	\$ 0	\$ 84,562	\$ 9,000
Long-term Liabilities	296,505	501,000	0	0	296,505	501,000
<b>Total Liabilities</b>	<b>381,067</b>	<b>510,000</b>	<b>0</b>	<b>0</b>	<b>381,067</b>	<b>510,000</b>
<b>Net Assets</b>						
Invested in capital assets						
net of related debt	2,069,017	1,962,000	2,876,609	2,938,000	4,945,626	4,900,000
Restricted for Specific Purposes	658,230	932,000	0	0	658,230	932,000
Unrestricted	729,986	316,000	3,707,603	3,446,000	4,437,589	3,762,000
<b>Total Net Assets</b>	<b>3,457,233</b>	<b>3,210,000</b>	<b>6,584,212</b>	<b>6,384,000</b>	<b>10,041,445</b>	<b>9,594,000</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,838,300</b>	<b>\$ 3,720,000</b>	<b>\$ 6,584,212</b>	<b>\$ 6,384,000</b>	<b>\$ 10,422,512</b>	<b>\$ 10,104,000</b>



ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$4,210,313 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$369,620 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

*Roscommon Township*  
*Change in Net Assets*  
for the Fiscal Year Ended March 31,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 88,292	\$ 172,760	\$ 380,567	\$ 373,487	\$ 468,859	\$ 546,247
Operating Grants and Contributions	205,893	2,000	0	0	205,893	2,000
Capital Grants and Contributions	93,610	0	0	0	93,610	0
<b>General Revenues</b>						
Property Taxes	585,552	731,813	0	0	585,552	731,813
State Shared Revenue	300,777	372,946	0	0	300,777	372,946
Unrestricted Investment Earnings	64,272	34,854	143,249	110,355	207,521	145,209
Other	17,639	27,139	14,584	(5,750)	32,223	21,389
<b>Total Revenues</b>	<b>\$ 1,356,035</b>	<b>\$ 1,341,512</b>	<b>\$ 538,400</b>	<b>\$ 478,092</b>	<b>\$ 1,894,435</b>	<b>\$ 1,819,604</b>

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Expenses**

Legislative	\$ 117,998	\$ 0	\$ 0	\$ 0	\$ 117,998	\$ 0
General Government	238,769	290,229	0	0	238,769	290,229
Public Safety	291,558	209,934	0	0	291,558	209,934
Public Works	379,931	187,567	0	0	379,931	187,567
Health and Welfare	0	229,031	0	0	0	229,031
Community and Economic Development	19,507	10,404	0	0	19,507	10,404
Culture and Recreation	20,521	20,548	0	0	20,521	20,548
Other Functions	101,357	66,401	0	0	101,357	66,401
Interest on Long-term Debt	16,816	23,067	0	0	16,816	23,067
Sewer System	0	0	338,358	315,136	338,358	315,136
<b>Total Expenses</b>	<b>\$ 1,186,457</b>	<b>\$ 1,037,181</b>	<b>\$ 338,358</b>	<b>\$ 315,136</b>	<b>\$ 1,524,815</b>	<b>\$ 1,352,317</b>
Change in Net Assets	\$ 169,578	\$ 304,331	\$ 200,042	\$ 162,956	\$ 369,620	\$ 467,287
<b><u>NET ASSETS</u></b> – Beginning of Year	<b>3,287,655</b>	<b>2,983,324</b>	<b>6,384,170</b>	<b>6,221,214</b>	<b>9,671,825</b>	<b>9,204,538</b>
<b><u>NET ASSETS</u></b> – End of Year	<b>\$ 3,457,233</b>	<b>\$ 3,287,655</b>	<b>\$ 6,584,212</b>	<b>\$ 6,384,170</b>	<b>\$ 10,041,445</b>	<b>\$ 9,671,825</b>

**Governmental Activities**

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$169,578 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Roscommon Township comes from property taxes. The Township levied a millage for fire protection, fire equipment, and road improvement, in addition to the operating millage, this fiscal year. The Township levied 1.2895 mills for operating purposes, and 1.4437 mills for fire protection, 0.4704 mills for fire equipment, and 0.4835 mills for road improvement.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2007, the amount of state shared revenue received by the Township trended upward.

Capital grants represent grant dollars, whether federal, state, or local, that the Township has secured in order to assist in capital asset construction and infrastructure improvement within the Township. The contributions received during the current fiscal year represents special assessments and related interest used by the Township for sewer purposes.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

The Township's governmental activities expenses are dominated by public works expenses that total 32.02% of total expenses. The Township spent \$379,931 in fiscal year 2007 on public works expenses. Public safety represented the next largest expense at \$291,558 followed by general government at \$238,769, these represent 24.57 % and 20.12 % respectively.

**Business-Type Activities**

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$380,567 for 2007. Expenses for operating and maintenance represent the largest portion of the Sewer Fund expenses at \$277,386 followed by depreciation at \$60,972, these represent 81.98% and 18.02% respectively.

Sewer operations experienced a \$200,042 increase in net assets.

The Sewer Fund is the Township's only Business-Type activity.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Roscommon Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Roscommon Township's governmental funds reported combined ending fund balances of \$1,535,701. Approximately 57.14% of this total amount (\$877,471) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund increased its fund balance by \$47,845 which brings the fund balance to \$641,146. All the General Fund's fund balance is unreserved. Property tax revenues decreased by 14.72% or \$101,089. State revenues decreased by \$46,749 from the prior year. This represents a 13.20% decrease.

**Fire Operating Fund** – The Fire Operating Fund increased its fund balance by \$61,352 which brings the fund balance to \$501,669. This balance is reserved and must be used for fire protection.

**Roads Fund** – The Roads Fund decreased its fund balance by \$112,271 which brings the fund balance to \$71,180.

**Fire Equipment Fund** – The Fire Equipment Fund increased its fund balance by \$20,529 which brings the fund balance to \$85,381.

The Township levied a fire, operating, road improvement and fire equipment millage on the 2006 tax roll. This resulted in \$211,305, \$70,780, and \$68,872 in tax related revenues during the current fiscal year respectively.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

**Trash Fund** – The Trash Fund decreased its fund balance by \$6,804 which brings the fund balance to \$236,325.

The Township passed a trash special assessment, resulting in \$191,289 in related revenues in the current fiscal year.

**Proprietary Fund** The Township's proprietary fund provides the same information as the government-wide statements.

**Sewer Fund** – The Sewer Fund ended the fiscal year with an increase in net assets of \$200,042. Net assets invested in capital assets, net of related debt decreased by \$60,973. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of March 31, 2007 amounted to \$5,172,902 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

*Roscommon Township  
Capital Assets as of March 31,*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Land and Land Improvements	\$ 1,020,910	\$ 1,020,910	\$ 11,126	\$ 11,126	\$ 1,032,036	\$ 1,032,036
Buildings and Grounds	984,484	974,310	0	0	984,484	974,310
Vehicles	700,119	700,119	0	0	700,119	700,119
Machinery and Equipment	250,096	154,808	4,494,793	4,494,793	4,744,889	4,649,601
Furniture and Fixtures	27,705	27,705	0	0	27,705	27,705
Computer Equipment	50,417	47,390	0	0	50,417	47,390
	<u>3,033,731</u>	<u>2,925,242</u>	<u>4,505,919</u>	<u>4,505,919</u>	<u>7,539,650</u>	<u>7,431,161</u>
Less Accumulated Depreciation	<u>(737,438)</u>	<u>(661,775)</u>	<u>(1,629,310)</u>	<u>(1,568,337)</u>	<u>(2,366,748)</u>	<u>(2,230,112)</u>
Net Capital Assets	<u>\$ 2,296,293</u>	<u>\$ 2,263,467</u>	<u>\$ 2,876,609</u>	<u>\$ 2,937,582</u>	<u>\$ 5,172,902</u>	<u>\$ 5,201,049</u>

*Major capital asset events during the current fiscal year included the following:*

- ◆ The purchase of building improvements amounts to \$10,174.

## ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED MARCH 31, 2007

- ◆ The purchase of computer equipment amounted to \$5,919.
- ◆ The purchase of scuba gear and a fill system in the fire operating fund amounted to \$95,288.

**Long-Term Debt.** Approximately \$126,101 of debt was retired during the current year through the scheduled payments and extra principal payments for the Township's debt. Total debt as of March 31, 2007 totals \$374,761 of which \$147,485 is inter-fund borrowing between the Sewer Fund and the Road Fund which enables the Township to loan money but pay interest to ourselves.

#### **Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

#### **Known Factors Affecting Future Operations**

##### **Roscommon Township Parks and Recreation Master Plan 2006-2011**

The main responsibility for Township parks and recreation facilities had in the past, been the responsibility of the Township Board. However, with the increased demand for services and the complexity in Township government today, the Township recognized these services needed the attention of a separate entity. Therefore, the Roscommon Township Board created a citizen's advisory board in 2005. With the recommendation of this board, the Township Board, after a public hearing, approved the concept and costs of a Lakeview Park which highlights ADA access to waterfront and fishing access along with other amenities. The Roscommon Township Board passed a resolution to submit a grant application to the Michigan Natural Resources Trust Fund to fund up to \$189,110 and local matching funds of \$81,390. The Township Board understood that "in-kind" contributions can also be used towards the local match. For example, our allocation from the Road Commission if the Township paves the roads for the park, and donated services.

##### **New Assessing and Tax Collection Software**

Roscommon County went to a new software for Assessing and Tax Collection in 2007. The Township also changed from the antiquated Manatron System to the more user friendly and windows based system called BS&A. This system will be paid for over a three year period and some additional costs will include the purchase of the Apex sketching software and additional workforce may need to be obtained during the conversion stage of the change.

##### **Roscommon Township Fire Station**

A millage proposal failed requesting one mill for the construction of a new Fire Hall and Training Station. No discussion has taken place at this time if another request will be made to the electors or if changes to the original plan will take place.

## ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2007

#### **Roscommon Township Solid Waste Special Assessment**

Roscommon Township's contract with Waste Management expires soon. The Township will have to request bids to see if additional assessment is required. Roscommon Township will ask Denton Township to see if a joint service could be created for possible savings to the residents. Joint ventures have worked very well for Roscommon Township in the past. 30 years ago, a joint sewer authority was created with three of the townships surrounding Houghton Lake. In 2007, the fourth township also joined the authority.

The Houghton Lake Building Agency is comprised of Roscommon Township, Lake, Denton, Markey and Backus Townships. The Houghton Lake Ambulance Authority is comprised of Roscommon Township and Lake Township and the Houghton Lake Improvement Board was a joint effort of Roscommon Township, Lake, Denton and Markey to combat and win the fight against Eurasian Water Milfoil, an evasive aquatic plant species that almost destroyed Houghton Lake.

#### **The State of the State**

Recently, bills have been introduced in the House to "reform" local control over property tax assessment, tax collection and election administration – the statutory duties of townships. The state, which is currently \$900,000,000 in the red wants to use the State Shared Revenues paid to Townships to help eliminate their debt. These bills are geared towards townships with populations of 5,000 or less which is approximately 84% of Townships. Yet, nothing is said regarding the close to two-thirds of cities and villages with populations less than 5,000. The state feels that the counties could do a better job with these duties. Of course, the state has already taken away the counties state shared revenues, so the townships would have to pay the counties to do these services. These bills were introduced with absolutely no financial studies indicating a cost savings to the residents. In fact, studies have shown this to be more costly as many county workers are union and get paid a higher salary than the local officials.

The state needs to take a look at "reforming" our economy. Roscommon Township continues to face challenging times ahead with Michigan's loss of more and more businesses. Businesses continue to close in Roscommon Township and no new ones are taking their place. Building permits are currently less than half of last year which was already in a decline. Our State Shared Revenues which is based upon sales tax in the State of Michigan has been declining over the years. Roscommon Township receives a diminutive amount in statutory funding.

#### **Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Roscommon Township at 8555 Knapp Road, Houghton Lake, Michigan 48629.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN  
STATEMENT OF NET ASSETS  
MARCH 31, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 1,355,201	\$ 1,611,750	\$ 2,966,951
Investments	0	1,588,425	1,588,425
Receivables			
Taxes and Special Assessments	99,166	99,700	198,866
Accounts	6,162	120,892	127,054
Accrued Interest	0	14,361	14,361
Intergovernmental	73,517	102,210	175,727
External Parties (Fiduciary Funds)	7,961	22,780	30,741
Note Receivable - Current	0	53,575	53,575
Total Current Assets	1,542,007	3,613,693	5,155,700
<u>OTHER ASSETS</u>			
Note Receivable - Non Current	0	93,910	93,910
<u>CAPITAL ASSETS</u>			
Land	1,020,910	11,126	1,032,036
Building and Grounds	984,484	0	984,484
Vehicles	700,119	0	700,119
Machinery and Equipment	250,096	4,494,793	4,744,889
Furniture and Fixtures	27,705	0	27,705
Computer Equipment	50,417	0	50,417
	3,033,731	4,505,919	7,539,650
Less Accumulated Depreciation	(737,438)	(1,629,310)	(2,366,748)
Net Capital Assets	2,296,293	2,876,609	5,172,902
TOTAL ASSETS	3,838,300	6,584,212	10,422,512
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	6,306	0	6,306
Note Payable - Current	78,256	0	78,256
Total Current Liabilities	84,562	0	84,562
<u>LONG-TERM LIABILITIES</u>			
Note Payable (Net of Current Portion)	296,505	0	296,505
TOTAL LIABILITIES	381,067	0	381,067
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	2,069,017	2,876,609	4,945,626
Restricted for Specific Purposes	658,230	0	658,230
Unrestricted	729,986	3,707,603	4,437,589
TOTAL NET ASSETS	\$ 3,457,233	\$ 6,584,212	\$ 10,041,445

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTALS
		SERVICES	GRANTS AND	GRANTS AND	ACTIVITIES	ACTIVITIES	
			CONTRIBUTIONS	CONTRIBUTIONS			
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 117,998	\$ 0	\$ 0	\$ 0	\$ (117,998)	\$ 0	\$ (117,998)
General Government	238,769	20,557	0	0	(218,212)	0	(218,212)
Public Safety	291,558	60,255	6,734	93,610	(130,959)	0	(130,959)
Public Works	379,931	1,000	199,159	0	(179,772)	0	(179,772)
Community and Economic Develop	19,507	6,480	0	0	(13,027)	0	(13,027)
Recreation and Culture	20,521	0	0	0	(20,521)	0	(20,521)
Other Functions	101,357	0	0	0	(101,357)	0	(101,357)
Interest on Long-Term Debt	16,816	0	0	0	(16,816)	0	(16,816)
Total Governmental Activities	1,186,457	88,292	205,893	93,610	(798,662)	0	(798,662)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	338,358	380,567			0	42,209	42,209
TOTAL	\$ 1,524,815	\$ 468,859	\$ 205,893	\$ 93,610	(798,662)	42,209	(756,453)
<u>GENERAL REVENUES</u>							
Taxes					585,552	0	585,552
State Shared Revenue					300,777	0	300,777
Unrestricted Investment Earnings					64,272	143,249	207,521
Other					17,639	14,584	32,223
Total General Revenues					968,240	157,833	1,126,073
Change in Net Assets					169,578	200,042	369,620
<u>NET ASSETS</u> - Beginning of Year					3,287,655	6,384,170	9,671,825
<u>NET ASSETS</u> - End of Year					\$ 3,457,233	\$ 6,584,212	\$ 10,041,445

The accompanying notes are an integral part of the financial statements.



ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2007

	GENERAL FUND	FIRE OPERATING FUND	TRASH FUND	ROADS FUND	FIRE EQUIPMENT FUND	TOTALS
<u>ASSETS</u>						
Cash	\$ 533,205	\$ 475,692	\$ 207,949	\$ 61,952	\$ 76,403	\$ 1,355,201
Accounts Receivable	6,162	0	0	0	0	6,162
Taxes and Special						
Assessments Receivable	25,023	27,553	28,384	9,228	8,978	99,166
Due from Other Funds	7,961	0	0	0	0	7,961
Due from Other Governments	73,517	0	0	0	0	73,517
TOTAL ASSETS	<u>\$ 645,868</u>	<u>\$ 503,245</u>	<u>\$ 236,333</u>	<u>\$ 71,180</u>	<u>\$ 85,381</u>	<u>\$ 1,542,007</u>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 4,722	\$ 1,576	\$ 8	\$ 0	\$ 0	6,306
<u>FUND BALANCE</u>						
Reserved for:						
Fire Protection	0	501,669	0	0	0	501,669
Road Improvements	0	0	0	71,180	0	71,180
Fire Equipment	0	0	0	0	85,381	85,381
Unreserved						
Designated for						
Refuse Collection	0	0	236,325	0	0	236,325
Undesignated	641,146	0	0	0	0	641,146
Total Fund Balance	<u>641,146</u>	<u>501,669</u>	<u>236,325</u>	<u>71,180</u>	<u>85,381</u>	<u>1,535,701</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 645,868</u>	<u>\$ 503,245</u>	<u>\$ 236,333</u>	<u>\$ 71,180</u>	<u>\$ 85,381</u>	<u>\$ 1,542,007</u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

Total Fund Balances for Governmental Funds	\$ 1,535,701
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	1,020,910	
Building and Grounds	984,483	
Vehicles	700,119	
Machinery and Equipment	250,096	
Furniture and Fixtures	27,706	
Computer Equipment	50,417	
Accumulated Depreciation	<u>(737,438)</u>	2,296,293

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds.

Notes Payable	<u>(374,761)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,457,233</u></u>
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The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2007

	GENERAL FUND	FIRE OPERATING FUND	TRASH FUND	ROADS FUND	FIRE EQUIPMENT FUND	TOTALS
<u>REVENUES</u>						
Taxes	\$ 234,595	\$ 211,305	\$ 0	\$ 70,780	\$ 68,872	\$ 585,552
Licenses and Permits	6,480	0	0	0	0	6,480
Federal Grants	0	89,110	0	0	0	89,110
State Grants	307,511	4,500	0	3,660	0	315,671
Charges for Services	75,347	500	0	0	0	75,847
Fines and Forfeitures	3,851	0	0	0	0	3,851
Interest and Rents	29,383	20,940	8,271	6,218	1,574	66,386
Other Revenues	9,960	9,639	193,539	0	0	213,138
Total Revenues	667,127	335,994	201,810	80,658	70,446	1,356,035
<u>EXPENDITURES</u>						
Legislative	117,998	0	0	0	0	117,998
General Government	226,156	0	0	0	0	226,156
Public Safety	68,625	274,642	0	0	0	343,267
Public Works	33,723	0	208,614	134,929	0	377,266
Community and Economic Development	19,507	0	0	0	0	19,507
Recreation and Culture	16,916	0	0	0	0	16,916
Other Functions	101,357	0	0	0	0	101,357
Debt Service	35,000	0	0	58,000	49,917	142,917
Total Expenditures	619,282	274,642	208,614	192,929	49,917	1,345,384
Net Change in Fund Balance	47,845	61,352	(6,804)	(112,271)	20,529	10,651
<u>FUND BALANCE</u> - Beginning of Year	593,301	440,317	243,129	183,451	64,852	1,525,050
<u>FUND BALANCE</u> - End of Year	\$ 641,146	\$ 501,669	\$ 236,325	\$ 71,180	\$ 85,381	\$ 1,535,701

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 10,651
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(78,267)
Capital Outlay	111,381

In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balance by the cost of capital assets sold net of accumulated depreciation.

Governmental Funds - Loss on disposal of capital assets	
Subtract loss on disposal of capital assets	(288)

Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	<u>126,101</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 169,578</u></u>
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The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 1,611,750
Investments	1,588,425
Receivable	
Accounts	120,892
Accrued Interest	14,361
Special Assessments	99,700
Intergovernmental	102,210
Note - Current	53,575
Due from Other Funds	22,780
	<hr/>
Total Current Assets	3,613,693
	<hr/>
<u>NONCURRENT ASSETS</u>	
<u>OTHER ASSETS</u>	
Note Receivable - Non Current	93,910
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	11,126
Improvements Other Than Buildings	4,494,793
	<hr/>
	4,505,919
Less Accumulated Depreciation	1,629,310
	<hr/>
Net Capital Assets	2,876,609
	<hr/>
TOTAL ASSETS	\$ 6,584,212
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	\$ 0
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	2,876,609
Unrestricted	3,707,603
	<hr/>
Total Net Assets	6,584,212
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 6,584,212
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	\$ 380,567
<u>OPERATING EXPENSES</u>	
Contracted Services	268,991
Professional Services	2,500
Miscellaneous Expense	5,895
Depreciation	60,972
Total Operating Expenses	338,358
Operating Income (Loss)	42,209
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	143,249
Realized Gain (Loss) on Investments	14,584
Total Nonoperating Revenues (Expenses)	157,833
Change in Net Assets	200,042
<u>NET ASSETS - Beginning of Year</u>	6,384,170
<u>NET ASSETS - End of Year</u>	\$ 6,584,212

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 306,627
Cash Payments to Employees and Professional Contractors for Services	<u>(277,386)</u>
Net Cash Provided by Operating Activities	<u>29,241</u>
Cash Flows from Non-Capital Financing Activities:	
Receipts Under Interfund Loan Agreements	<u>52,015</u>
Cash Flows from Capital and Related Financing Activities:	
Special Assessments Receivable	<u>26,711</u>
Cash Flows from Investing Activities:	
Purchase of Investment Securities	(1,303,147)
Proceeds from Sale and Maturities of Investment Securities	1,227,925
Net Increase (Decrease) in Fair Value of Investments	14,584
Interest Received	<u>140,041</u>
Net Cash Provided by Operating Activities	79,403
Net Increase (Decrease) in Cash and Cash Equivalents	187,370
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>1,424,380</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 1,611,750</u></u>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	<u>\$ 42,209</u>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	60,972
(Increase) Decrease in Current Assets	
Accounts Receivable	35,142
Intergovernmental Receivable	(102,210)
Due From Other Funds	<u>(6,872)</u>
Total Adjustments	<u>(12,968)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 29,241</u></u>

The accompanying notes are an integral part of the financial statements.



ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2007

	<u>ASSETS</u>	<u>AGENCY</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 32,829
		<hr/>
<u>LIABILITIES</u>		
Due to Other Governments		\$ 2,088
Due to Other Funds		30,741
		<hr/>
Total Liabilities		\$ 32,829
		<hr/>

The accompanying notes are an integral part of the financial statements.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Township of Roscommon is a general law township of the State of Michigan, located in Roscommon County, Michigan. The Township of Roscommon operates under an elected Board and provides services to its residents in many areas including law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Roscommon Township.

**HOUGHTON LAKE SEWER AUTHORITY**

The Townships of Roscommon, Denton and Lake (Roscommon County) formed the Houghton Lake Sewer Authority in 1973 for the purpose of operating, maintaining, administering and managing a sanitary sewage facility for the benefit of the aforementioned three townships and for any other township municipality which hereafter joins in and becomes a part of such sewer and the related agreement all for the betterment of the health, safety, economy and general welfare of the participating municipalities. The authority is audited and submitted under separate cover (as a joint venture). Roscommon Township's share of the Sewer Authority's activities are recorded in the Sewer Fund.

Pursuant to the formation of the Authority, the Roscommon County Department of the Public Works issued \$2,420,000 of bonds, whereupon each township assumed the responsibility of reimbursing the County for their respective share of the total bonds issued. These bonds have been fully retired. Denton and Lake Townships subsequently issued additional bonded debt to finance additions to the system, which are still outstanding.

Ownership of the public sanitary sewer system will remain with Roscommon County Department of Public Works until all outstanding bonds issued by said department of the County of Roscommon (pertaining to the system) have been retired. Thereafter, all portions of the system shall become the property of the respective municipalities. The system is to be operated for the benefit of said participating municipalities both jointly and severally.

**HOUGHTON LAKE BUILDING AGENCY**

The Houghton Lake Building Agency operates in several Townships. Roscommon Township's portion of the Agency's activities are recorded in the General Fund.

**B. Government-wide and Fund Financial Statements**

The Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Roscommon Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Operating Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Trash Collection Fund* accounts for revenue sources that are related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

The *Roads Fund* is used to account for road maintenance and improvements. Revenues are derived primarily from property taxes collected for road maintenance and improvements.

The *Fire Equipment Fund* accounts for revenue sources that are legally restricted to expenditures for fire equipment.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Additionally Roscommon Township reports the following fund types:

*Enterprise Funds* are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township reports the Sewer Fund as an enterprise fund.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
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**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

The Treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

The prior approval of the Township Board, shall be required for the Treasurer to invest in any other lawful investment instruments. The Township Board's standard of prudence shall be the "fiduciary" standard, which shall be applied in context of managing an overall portfolio. The Township Board may authorize the Treasurer to invest in the following:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Repurchase agreements consisting of instruments listed above.

Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either or the following:

- (1) The purchase of securities on a when-issued or delayed delivery basis.
- (2) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.

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- (3) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

Obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.110 to 129.118.

The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141. to 129.150.

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and two-thirds of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Roscommon Township totaled \$143,837,036, on which ad valorem taxes levied consisted of 1.2895 mills for Roscommon Township operating purposes, 1.4437 mills for Roscommon Township fire protection, 0.4704 mills for fire equipment, and 0.4835 mills for road improvement. These levies raised approximately \$178,782 for operating purposes, \$211,305 for fire protection, \$70,780 for road improvement and \$68,872 for fire equipment.

The Township also passed a property tax assessment for the trash fund which raised approximately \$191,289.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
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Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and Grounds	20-50
Vehicles	5-20
Machinery and Equipment	5-20
Furniture and Fixtures	10
Computer Equipment	3-7

Roscommon Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

**5. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.



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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

**6. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 27, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with Expenditures in Excess of Appropriations were as follows:**

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
Roads Fund	\$ 184,800	\$	192,929

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This overage was funded by greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Chase Bank, Chemical Bank and Northwestern Bank, all located in Houghton Lake, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2007, of the government's bank balance of \$4,621,511, \$3,866,820 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

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The Township of Roscommon uses a common banking account to pool cash funds and enhance investment earnings. The various funds equity at March 31, 2007 is as follows:

	<b><u>Common Checking</u></b>
General Fund	\$ 25,318
Road Fund	32
Fire Operating Fund	1,341
Fire Equipment Fund	2,183
Trash Fund	<u>1,050</u>
	<u><u>\$ 29,924</u></u>

Interfund borrowings are common and normally short term in nature. The investments are cashed if necessary to eliminate negative balances.

At March 31, 2007, the deposits and investments were reported in the basic financial statements in the following categories:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Fiduciary Funds</u></b>	<b><u>Total Primary Government</u></b>
Cash	\$ 1,355,201	\$ 1,611,750	\$ 32,829	\$ 2,999,780
Investments	<u>0</u>	<u>1,588,425</u>	<u>0</u>	<u>1,588,425</u>
	<u><u>\$ 1,355,201</u></u>	<u><u>\$ 3,200,175</u></u>	<u><u>\$ 32,829</u></u>	<u><u>\$ 4,588,205</u></u>

The breakdown between deposits and investments for the Township is as follows:

	<b><u>Primary Government</u></b>
Bank deposits (checking accounts and savings accounts)	\$ 34,854
Bank money market accounts	2,697,954
Certificates of deposit	266,822
Investments in bonds	1,588,425
Petty cash	<u>150</u>
	<u><u>\$ 4,588,205</u></u>

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During the year ended March 31, 2007, the Township realized a net gain of \$14,584 from the sale of bond investments. The calculation of realized gains / losses are independent of the calculation of the net increase / decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

**B. Receivables**

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Fire	Trash Fund	Roads Fund	Fire Equipment Fund	Total
Receivables						
Accounts	\$ 6,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,162
Taxes	25,023	27,553	0	9,228	8,978	70,782
Due from						
Other Government	73,517	0	0	0	0	73,517
Special Assessments						
Current	0	0	28,384	0	0	28,384
	<u>\$ 104,702</u>	<u>\$ 27,553</u>	<u>\$28,384</u>	<u>\$ 9,228</u>	<u>\$ 8,978</u>	<u>\$178,845</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 1,020,910	\$ 0	\$ 0	\$ 1,020,910
Capital assets, being depreciated				
Building and Grounds	974,310	10,174	0	984,484
Vehicles	700,119	0	0	700,119
Machinery and Equipment	154,808	95,288	0	250,096
Furniture and Fixtures	27,705	0	0	27,705
Computer Equipment	47,390	5,919	2,892	50,417
Total capital assets, being depreciated	1,904,332	111,381	2,892	2,012,821
Less accumulated depreciation for:				
Building and Grounds	232,659	20,082	0	252,741
Vehicles	334,985	30,431	0	365,416
Machinery and Equipment	70,581	17,216	0	87,797
Furniture and Fixtures	2,165	1,984	0	4,149
Computer Equipment	21,385	8,554	2,604	27,335
Total accumulated depreciation	661,775	78,267	2,604	737,438
Total capital assets, being depreciated, net	1,242,557	33,114	288	1,275,383
Governmental activities capital assets, net	\$ 2,263,467	\$ 33,114	\$ 288	\$ 2,296,293

Business-Type Activities

Capital assets, not being depreciated				
Land	\$ 11,126	\$ 0	\$ 0	\$ 11,126
Capital assets, being depreciated				
Machinery and Equipment	4,494,793	0	0	4,494,793
Less accumulated depreciation for:				
Machinery and Equipment	1,568,338	60,972	0	1,629,310
Total capital assets, being depreciated, net	2,926,455	(60,972)	0	2,865,483
Business-type activities capital assets, net	\$ 2,937,581	\$ (60,972)	\$ 0	\$ 2,876,609

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HOUGHTON LAKE, MICHIGAN

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 28,418
Public Safety	43,579
Public Works	2,665
Recreation and Culture	<u>3,605</u>

Total Depreciation Expense - Governmental Activities	<u><u>\$ 78,267</u></u>
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Business-type activities:

Sewer	<u><u>\$ 60,972</u></u>
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2007.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 7,961	\$ 0
Enterprise Funds		
Sewer	22,780	0
Fiduciary Funds		
Current Tax Collection Fund	<u>0</u>	<u>30,741</u>
	<u><u>\$ 30,741</u></u>	<u><u>\$ 30,741</u></u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended March 31, 2007, there were no interfund transfers.

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Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2007:

	INSTALLMENT NOTES
Long-Term Debt Payable at April 1, 2006	\$ 500,862
New Debt Incurred	0
Debt Retired	<u>(126,101)</u>
Long-Term Debt Payable at March 31, 2007	<u>\$ 374,761</u>
Amount due within one year	<u>\$ 78,256</u>

The Township's long-term debt consists of the following:

Installment Notes:

In April 2004, the Sewer fund loaned Roscommon Township \$250,000 for road improvement. The note is to be paid by the General Fund in annual installments of \$58,000 including interest at 3.00% through April 2009.

\$ 147,485

In March 2005, Roscommon Township entered into a land contract purchase contract with Chase Equipment Leasing for \$275,000 to purchase a parcel of Houghton Lakeshore property to construct a Township park. The loan is repayable in annual installments of \$34,294, including interest at 4.23% through March 2015.

227,276

\$ 374,761

The annual requirements to amortize debt outstanding as of March 31, 2007, are as follows:

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

Year Ending March 31,	Principal	Interest	Total
2008	\$ 78,256	\$ 14,038	\$ 92,294
2009	80,908	11,386	92,294
2010	65,540	8,643	74,183
2011	27,947	6,347	34,294
2012	29,129	5,165	34,294
2013-2015	92,981	9,901	102,882
	<u>\$ 374,761</u>	<u>\$ 55,480</u>	<u>\$ 430,241</u>

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

NET ASSETS

Restricted

Special Revenue Funds

Special Purposes \$ 658,230

FUND BALANCE

Reserved

Special Revenue Funds

Fire Fund

Fire Protection \$ 501,669

Road Fund

Road Improvements 71,180

Fire Equipment Fund

Fire Equipment 85,381

Designated

Trash Fund

Designated for Township Improvements 236,325

TOTAL FUND BALANCE

RESERVATIONS AND DESIGNATIONS \$ 894,555



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HOUGHTON LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Pension Plan**

The Township of Roscommon contributes to a pension plan which is a defined contribution pension plan administered by the John Hancock company.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the completion of 1 year of service, all full-time and permanent part-time employees between the ages of 21-70 are eligible to participate in the plan. Contributions made by the Township and employees vest immediately. The participant will receive benefits upon termination of employment with the Township. Three Township employees are currently enrolled in the plan.

The plan requires the Township to contribute 10% of the eligible employee's wages. Additionally, each participant contributes 10% of their salary. During the year, the Township contributed \$14,254 to the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**C. Insurance**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Township participated in

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NOTES TO FINANCIAL STATEMENTS  
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the Michigan Township Participating Plan, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage.

In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other potential losses, including employee health and accident insurance.

**D. Prior Period Adjustment**

During the current year, it was determined that prior year state shared revenues totaling \$301,690 were incorrectly recorded in the General Fund, and the accrued interest was over stated by \$5,986 for the government wide statements. The state shared revenues should have been increased by \$71,256 and been recorded as due from other governments. To correct these errors, the beginning fund balance of the General Fund of \$522,045, as originally reported, has been increased to \$593,301. In addition, beginning net assets for governmental activities of \$9,594,583, as originally reported, have been increased to \$9,671,825 to adjust for the state shared revenue increase and the reduction of accrued interest.

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2007

	GENERAL FUND			FIRE OPERATING FUND			TRASH FUND			ROADS FUND			FIRE EQUIPMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>															
Taxes	\$ 259,010	\$ 259,010	\$ 234,595	\$ 196,936	\$ 196,936	\$ 211,305	\$ 189,783	\$ 189,783	\$ 0	\$ 65,900	\$ 65,900	\$ 70,780	\$ 64,100	\$ 64,100	\$ 68,872
Licenses and Permits	4,290	4,290	6,480	0	0	0	0	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	0	89,110	89,110	0	0	0	0	0	0	0	0	0
State Grants	301,200	301,200	307,511	0	0	4,500	0	0	0	2,000	2,000	3,660	0	0	0
Charges for Services	94,877	94,877	75,347	0	0	500	0	0	0	0	0	0	0	0	0
Fines and Forfeitures	2,000	2,000	3,851	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Rents	4,700	4,700	29,383	500	500	20,940	100	100	8,271	0	0	6,218	0	0	1,574
Other Revenues	4,308	4,308	9,960	0	4,000	9,639	1,250	1,250	193,539	0	0	0	0	0	0
Total Revenues	670,385	670,385	667,127	197,436	290,546	335,994	191,133	191,133	201,810	67,900	67,900	80,658	64,100	64,100	70,446
<u>EXPENDITURES</u>															
Legislative															
Township Board	99,519	99,519	117,998	0	0	0	0	0	0	0	0	0	0	0	0
General Government															
Supervisor	29,612	29,612	28,222	0	0	0	0	0	0	0	0	0	0	0	0
Election	12,970	12,970	10,307	0	0	0	0	0	0	0	0	0	0	0	0
Assessor	44,138	44,138	40,904	0	0	0	0	0	0	0	0	0	0	0	0
Clerk	44,067	44,067	43,908	0	0	0	0	0	0	0	0	0	0	0	0
Board of Review	2,150	2,150	1,409	0	0	0	0	0	0	0	0	0	0	0	0
Treasurer	47,434	47,434	39,816	0	0	0	0	0	0	0	0	0	0	0	0
Building and Grounds	38,000	38,000	28,856	0	0	0	0	0	0	0	0	0	0	0	0
Cemetery	24,250	24,250	19,731	0	0	0	0	0	0	0	0	0	0	0	0
Airport	14,468	14,468	13,003	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety															
Fire	0	0	0	443,546	443,546	274,642	0	0	0	0	0	0	21,100	21,100	0
Traffic Control	1,000	1,000	464	0	0	0	0	0	0	0	0	0	0	0	0
Blight Enforcement	17,700	17,700	15,257	0	0	0	0	0	0	0	0	0	0	0	0
Building Inspection	67,895	67,895	52,904	0	0	0	0	0	0	0	0	0	0	0	0
Public Works															
Highways, Streets, Bridges	0	0	0	0	0	0	0	0	0	126,800	126,800	134,929	0	0	0
Street Lighting	30,208	30,208	33,723	0	0	0	0	0	0	0	0	0	0	0	0
Sanitation	0	0	0	0	0	0	241,133	241,133	208,614	0	0	0	0	0	0
Community and Economic Development															
Zoning	30,900	30,900	19,507	0	0	0	0	0	0	0	0	0	0	0	0
Recreation and Culture															
Parks	29,866	29,866	16,916	0	0	0	0	0	0	0	0	0	0	0	0
Other Functions															
Insurance and Bonds	6,958	6,958	4,120	0	0	0	0	0	0	0	0	0	0	0	0
Employee Benefits	94,250	94,250	97,237	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service															
Principal	24,356	24,356	24,356	0	0	0	0	0	0	52,015	52,015	52,015	49,750	49,750	49,730
Interest	10,644	10,644	10,644	0	0	0	0	0	0	5,985	5,985	5,985	250	250	187
Total Expenditures	670,385	670,385	619,282	443,546	443,546	274,642	241,133	241,133	208,614	184,800	184,800	192,929	71,100	71,100	49,917
Net Change in Fund Balance	0	0	47,845	(246,110)	(153,000)	61,352	(50,000)	(50,000)	(6,804)	(116,900)	(116,900)	(112,271)	(7,000)	(7,000)	20,529
<u>FUND BALANCE</u> - Beginning of Year	0	0	593,301	157,000	157,000	440,317	50,000	50,000	243,129	116,900	116,900	183,451	7,000	7,000	64,852
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 641,146	\$ (89,110)	\$ 4,000	\$ 501,669	\$ 0	\$ 0	\$ 236,325	\$ 0	\$ 0	\$ 71,180	\$ 0	\$ 0	\$ 85,381

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2007

	BALANCE			BALANCE
	4/1/2006	ADDITIONS	DEDUCTIONS	3/31/2007
<hr/>				
<u>ASSETS</u>				
Cash	\$ 21,917	\$ 8,579,897	\$ 8,568,985	\$ 32,829
	<hr/>			
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 11,656	\$ 11,656	\$ 0
Due to Other Governments	1,024	3,528,941	3,527,877	2,088
Due to Other Funds	20,893	841,531	831,683	30,741
	<hr/>			
TOTAL LIABILITIES	\$ 21,917	\$ 4,382,128	\$ 4,371,216	\$ 32,829
	<hr/>			

ROSCOMMON TOWNSHIP, ROSCOMMON COUNTY  
HOUGHTON LAKE, MICHIGAN

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

TAXES ASSESSED

County	\$	896,286	
County - State Education Tax		862,065	
Township			
Operating		178,782	
Fire Operating		211,305	
Roads		70,780	
Fire Equipment		68,872	
Trash Assessment		191,487	
Street Lights Assessment		4,012	
Delinquent Sewer Assessment and Usage		44,148	
Schools			
Houghton Lake Community Schools		1,319,147	
Intermediate School			
C.O.O.R.		127,262	
Houghton Lake Ambulance Authority		236,158	
Houghton Lake Improvement Board		43,920	
Houghton Lake Public Library		86,187	
Kirtland Community College		321,719	\$ 4,662,130

TAXES COLLECTED

County	790,735	
County - State Education Tax	781,041	
Township		
Operating	154,172	
Fire Operating	183,752	
Roads	61,552	
Fire Equipment	59,894	
Trash Assessment	163,103	
Street Lights Assessment	3,599	
Delinquent Sewer Assessment and Usage	24,309	
Schools		
Houghton Lake Community Schools	1,187,326	
Intermediate School		
C.O.O.R.	115,301	
Houghton Lake Ambulance Authority	204,788	
Houghton Lake Improvement Board	37,104	
Houghton Lake Public Library	78,087	
Kirtland Community College	291,482	4,136,245

STATEMENT OF 2006 TAX ROLL  
MARCH 31, 2007

County	105,551		
County - State Education Tax	81,024		
Township			
Operating	24,610		
Fire Operating	27,553		
Roads	9,228		
Fire Equipment	8,978		
Trash Assessment	28,384		
Street Lights Assessment	413		
Delinquent Sewer Assessment and Usage	19,839		
Schools			
Houghton Lake Community Schools	131,821		
Intermediate School			
C.O.O.R.	11,961		
Houghton Lake Ambulance Authority	31,370		
Houghton Lake Improvement Board	6,816		
Houghton Lake Public Library	8,100		
Kirtland Community College	30,237	\$	525,885

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

June 18, 2007

To the Township Board  
Roscommon Township  
Roscommon County  
Houghton Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Roscommon Township, Roscommon, Houghton Lake, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Roscommon Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that none of the deficiencies described above constitute a material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C*